

WESTERN PROVINCES POWERING CANADA'S JOBS BONANZA

September 2007



August's employment report showed that overall job gains for the first eight months of the year were up an estimated 232,000. The unemployment rate held at its lowest level since 1974 and wage growth continued to firm. The average hourly wage rate for permanent workers was up 3.8% year-over-year in August, marking the fastest pace of increase in a year and the fifth consecutive month of solid gains.

Tight labour markets provide yet another piece of evidence that Canada's domestic economy is still on firm footing despite some weakness in job markets now evident in the United States (chart 1). Healthy job growth, an historically low unemployment rate and the recent acceleration in wage growth highlights the fact that Canada's economy is operating above its capacity limits.

The strength in Canada's headline national number is largely the result of the ongoing strength in western job markets. Alberta, British Columbia and Saskatchewan — in that order — are the clear leaders on the labour market front (chart 2), clocking in the strongest pace of job gains, the lowest unemployment rates and the fastest-growing labour forces.

There is also notable strength coming from Quebec's labour market, which has added 71,000 jobs since the start of the year. Ontario's job growth is slowing relative to the national average and its unemployment rate has edged up from last year's 6% low but, overall, still remains healthy. Job conditions are mixed in Atlantic Canada. Prince Edward Island and Newfoundland are tracking decent job growth. Nova Scotia's job growth has recently slowed down, while New Brunswick started 2007 on a slow note, but its job growth has recently started to pick up.

CHART 2
Labour market scorecard

1 = strongest, 10 = weakest
(Jan-Aug 2007, year-over-year)

| | Employment | Unemployment | Labour force | Earnings |
|--------|------------|--------------|--------------|----------|
| Nfld. | 6 | 10 | 9 | 8 |
| P.E.I. | 5 | 9 | 8 | 6 |
| N.S. | 8 | 8 | 6 | 4 |
| N.B. | 10 | 7 | 10 | 3 |
| Que. | 4 | 6 | 7 | 10 |
| Ont. | 7 | 5 | 4 | 9 |
| Man. | 9 | 4 | 5 | 2 |
| Sask. | 3 | 3 | 3 | 5 |
| Alta. | 1 | 1 | 1 | 1 |
| B.C. | 2 | 2 | 2 | 7 |

Source: Statistics Canada, RBC Economics Research



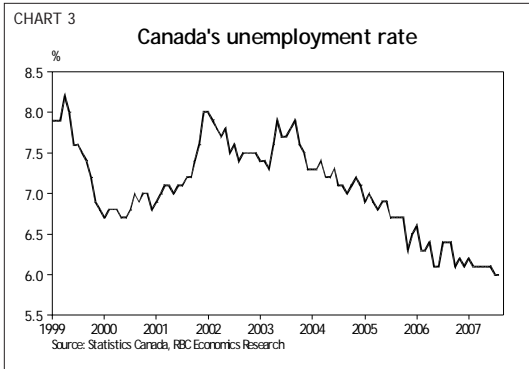
British Columbia —Labour markets in the province are still tight, with the year-over-year pace of job growth setting a healthy 3.2% pace and the unemployment rate holding just above 4%. Wage growth slowed down earlier in the year but has recently firmed, with two consecutive months of decent gains. The province accounted for roughly 20% of Canada's total job gains reported in the first eight months of the year. Jobs were split roughly equally between the goods sector and the service sector. The construction, finance, insurance, real estate, and leasing sectors have been the biggest contributors to provincial employment so far in 2007.



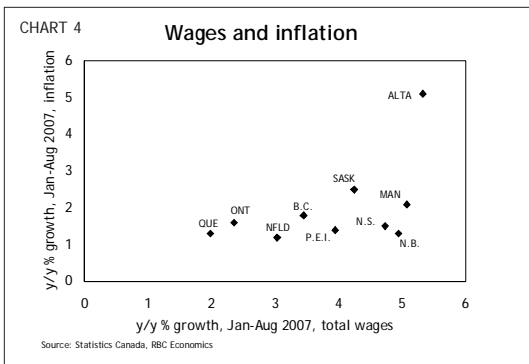
Alberta —The province still leads all provinces in all key job market indicators, including job gains, unemployment rate, labour force growth and wage gains. Hourly wages in Alberta are running at a healthy clip but are down from last year's 7% pace and are now tracking at about 5.3% so far in 2007 — a pace that continues to significantly skew the national rate. Alberta's labour force continues to expand to accommodate the growing demand for workers. Net interprovincial migration, although down from last year's third-quarter peak at 24,535 migrants, is still the strongest in the country and continues to attract

Amy Goldbloom
Economist
(416) 974-0579
amy.goldbloom@rbc.com

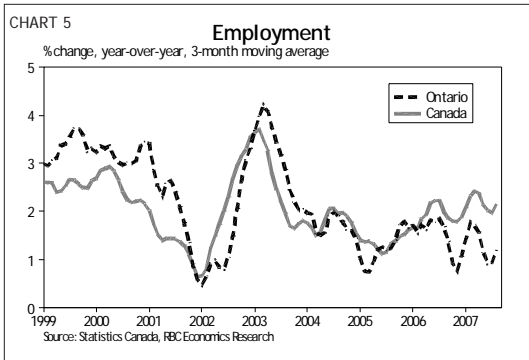
AS UNEMPLOYMENT SITS AT HISTORICALLY LOW LEVELS...



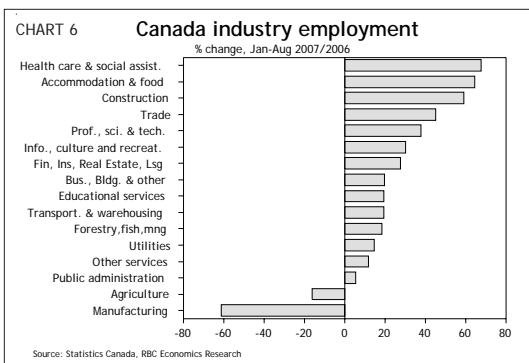
...WAGES MAINTAIN GOOD MOMENTUM, ALTHOUGH CENTRAL CANADA IS LAGGING...



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...WITH MANUFACTURING JOB LOSSES STILL WEIGHING ON OVERALL GAINS.



workers from right across Canada. Despite accounting for only 13% of national GDP, the province has been the single biggest contributor to job gains this year, with 96,000 jobs created in the first eight months of the year compared to the same period last year.



Saskatchewan — Job markets picked up momentum in the latter part of 2006 and early in 2007, but have since started to cool off. The provincial unemployment rate is still one of the lowest in the country but has been trending upward in the last six months. The unemployment rate bottomed out in March at 3.8% but has since climbed just over a full percent to reach 4.9% in August. Wages, however, are still growing at a healthy clip. The recent softness showing up in job markets is coming from the service sector, while the goods sector has actually picked up momentum. In fact, the construction sector was the only major contributor to job gains in August, adding roughly 3,800 jobs. Housing shortages are fuelling this recent surge in construction employment.



Manitoba — The pace of annual job growth in Manitoba has been holding just above 1% so far this year and unemployment is tracking at 4.5%. Hourly wages in Manitoba have accelerated for the last five consecutive months and ran at a 5% pace in the first eight months of the year compared to a year ago. With inflation at 2.2%, this has left room for solid real wage gains to be realized in the province. Job growth so far this year has been largely concentrated in the construction sector and some service sector industries, including finance, insurance, real estate, education services, and public administration.



Ontario — Job markets in Ontario are lagging the national average but still remain in healthy territory. The goods sector is still in decline as the agriculture, forestry and manufacturing sectors continue to shed jobs. Service-sector strength, however, still trumps the losses in the goods sector. Wage growth decelerated substantially in the early part of 2007 but has since picked up in the last four months. But, wages are still dragging on the national average, with Ontario and Quebec being the only two provinces where wage growth is below the national rate. With inflation running at a mild 1.6% this year, real wage gains are still being realized but only by a slim margin.



Quebec — Job growth picked up in the early part of 2007 and the unemployment rate dropped from 8% last year to a record low of 6.9% in July. The gains so far this year have been concentrated in the service sector. The tightness evident in Quebec's labour market, however, has not flowed into wage growth. Like Ontario, wages are growing at a pace below the national average. Average hourly earnings were up 2% in the first eight months of the year compared to the same period a year ago, while the national pace is a full percentage point higher at 3%.



New Brunswick — After a slow start in the first quarter of 2007, the province's labour markets picked up, reaching a healthy 3.7% year-over-year pace in August. Its unemployment rate has also been trending down. Wage growth has speeded up substantially in the last few months and New Brunswick has the third fastest pace among the provinces this year. The goods sector has led the gains, with the utilities,

construction and manufacturing sectors accounting for 90% of the job growth in the sector in the first eight months of the year. The service sector has shed roughly 3,000 jobs during this period.



Nova Scotia — Labour markets in the province are tighter than they were last year when it experienced an outright contraction in jobs. However, this year there have been consecutive monthly declines in overall employment since April. The unemployment rate has risen a full percentage point, reaching 8.9% in August. Wages, however, are still running at a healthy clip. Employment in the goods sector has been mixed. Forestry sector employment remains in decline, while manufacturing employment appears to have stabilized. The service sector contributed 70% of the job growth in the first eight months of the year compared to a year ago, but has recently softened as trade sector employment has weakened.



Prince Edward Island — The support in the Island's job market so far this year has emanated chiefly from the service sector. A broad range of industries contributed to this gain, including finance, insur-

ance and real estate, healthcare and the accommodation sector. Jobs in the goods sector are down so far this year, with noted weakness in agriculture and construction. More declines in construction sector employment are anticipated as the construction industry continues to wind down after a strong run. The unemployment rate is just above 10%, one percentage point below last year's rate, and wage growth is coming in at a 4% pace so far this year compared to the same period a year ago.



Newfoundland — The unemployment rate appeared to be on a downward trajectory in the early part of 2007 as job gains picked up — it dropped from its January high of 15.4% down to a low of 12.9% in May. It has since ticked up a few notches as job growth has eased but is still signalling a tighter market than in 2006. Wages are growing at a healthy clip in line with the nationwide pace and are running at more than double the rate of inflation, translating into real wage gains. Healthy wage growth has proved to be a decent support for the province's retail sector, which is tracking at a 10% pace in 2007 compared to last year.

Provincial current economic indicators

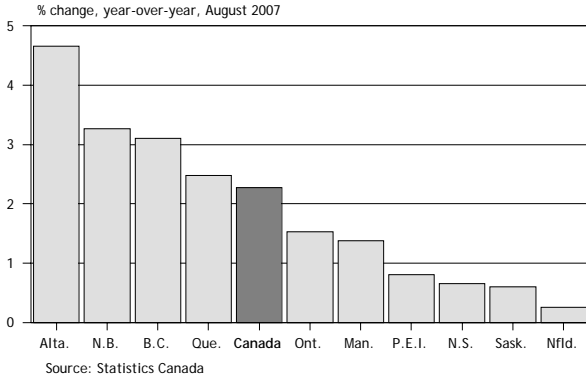
Latest month available, year-over-year % change, not seasonally adjusted unless marked S.A.

| | | Canada | Nfld. | P.E.I. | N.S. | N.B. | Que. | Ont. | Man. | Sask. | Alta. | B.C. |
|---|--------|--------|-------|--------|-------|-------|------|------|-------|-------|-------|-------|
| Labour market | | | | | | | | | | | | |
| Employment | Aug-07 | 2.3 | 0.3 | 0.8 | 0.7 | 3.3 | 2.5 | 1.5 | 1.4 | 0.6 | 4.7 | 3.1 |
| Labour force | Aug-07 | 1.8 | -0.9 | 0.2 | 1.4 | 2.2 | 1.6 | 1.4 | 1.1 | 0.4 | 4.0 | 2.1 |
| Unemployment rate (% level, S.A.) | Aug-07 | 6.0 | 13.7 | 10.2 | 8.9 | 7.7 | 7.0 | 6.4 | 4.6 | 4.9 | 3.5 | 4.0 |
| Average weekly earnings | Jun-07 | 3.6 | 4.7 | 4.7 | 3.2 | 4.7 | 1.8 | 3.8 | 4.6 | 4.5 | 5.1 | 3.5 |
| Consumers and business | | | | | | | | | | | | |
| Retail sales | Jun-07 | 6.9 | 11.5 | 8.0 | 3.9 | 8.5 | 5.1 | 5.4 | 8.5 | 11.0 | 11.3 | 7.5 |
| Retal sales excl. new motor vehicles | Jun-07 | 7.5 | 10.5 | 9.6 | 3.8 | 8.8 | 5.3 | 6.9 | 9.3 | 10.7 | 11.9 | 7.4 |
| New motor vehicle sales | Jun-07 | 3.1 | 17.6 | -3.9 | 4.1 | 6.8 | 3.9 | -2.6 | 2.6 | 13.5 | 8.3 | 8.6 |
| Wholesale trade | Jul-07 | 7.8 | 35.1 | 13.1 | 1.9 | 5.8 | 7.2 | 6.0 | 11.7 | 12.5 | 8.4 | 13.6 |
| Housing starts (S.A.) | Aug-07 | 5.5 | -4.2 | -50.0 | 62.5 | 17.5 | 1.0 | 0.7 | 36.7 | 62.5 | 1.7 | 12.3 |
| Existing home sales | Jul-07 | 18.9 | 40.6 | 19.5 | 22.4 | 27.8 | 25.4 | 22.7 | 9.5 | 37.7 | -7.3 | 25.1 |
| Residential building permits (S.A.) | Jul-07 | 9.4 | 22.9 | 21.4 | 67.7 | 71.3 | 12.4 | 8.2 | 6.2 | 124.9 | 1.7 | 20.7 |
| Non-residential building permits (S.A.) | Jul-07 | 15.1 | 62.9 | -63.7 | 10.4 | -19.5 | 27.8 | 19.3 | -49.5 | -36.5 | 46.2 | -21.6 |
| Manufacturing shipments | Jul-07 | 1.8 | 50.3 | 16.7 | 2.3 | 0.2 | -0.9 | 2.2 | 12.3 | 1.5 | 1.4 | 2.0 |
| Business bankruptcies | Jul-07 | 9.4 | 0.0 | -100.0 | -35.0 | -20.0 | 26.0 | 19.9 | -69.2 | -30.4 | 18.2 | -2.7 |
| Consumer bankruptcies | Jul-07 | 9.6 | -1.8 | 18.5 | -1.7 | -3.8 | 17.8 | 11.3 | -6.4 | 2.7 | -4.5 | 8.7 |
| Domestic trade | | | | | | | | | | | | |
| Merchandise exports (S.A.) | Jul-07 | 6.0 | 83.3 | -8.3 | -9.1 | -5.6 | -8.5 | 16.7 | 9.0 | -2.8 | 3.5 | -4.2 |
| Merchandise imports (S.A.) | Jul-07 | 5.1 | 53.6 | -78.3 | 5.3 | -26.4 | 0.8 | 7.4 | 10.6 | 7.6 | 0.8 | 4.9 |
| Inflation | | | | | | | | | | | | |
| CPI | Aug-07 | 1.7 | 0.2 | 0.9 | 1.2 | 1.3 | 0.8 | 1.6 | 1.4 | 2.4 | 4.7 | 1.3 |
| CPI ex. food and energy | Aug-07 | 2.2 | 0.8 | 2.3 | 2.7 | 1.3 | 1.2 | 2.2 | 2.0 | 3.4 | 5.0 | 1.7 |
| CPI ex. Shelter | Aug-07 | 1.0 | 0.1 | 1.0 | 1.2 | 0.1 | 0.3 | 1.6 | 0.5 | -0.3 | 1.5 | 1.0 |

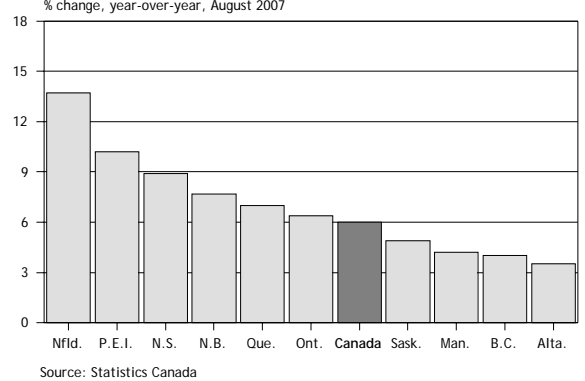
Source: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, RBC Economics Research

Provincial trends overview

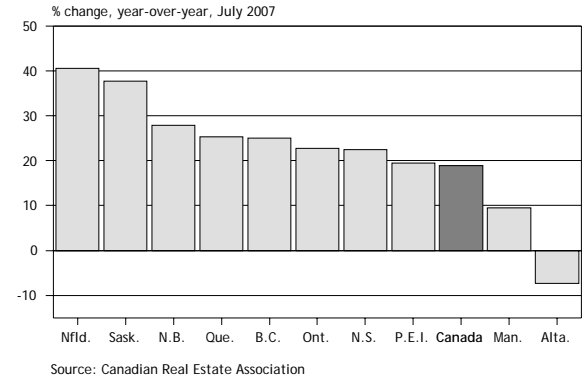
Employment



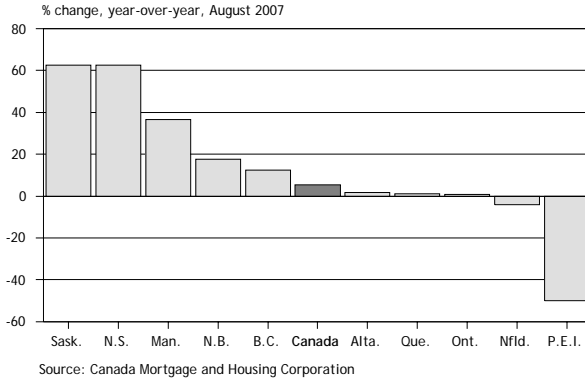
Unemployment rate



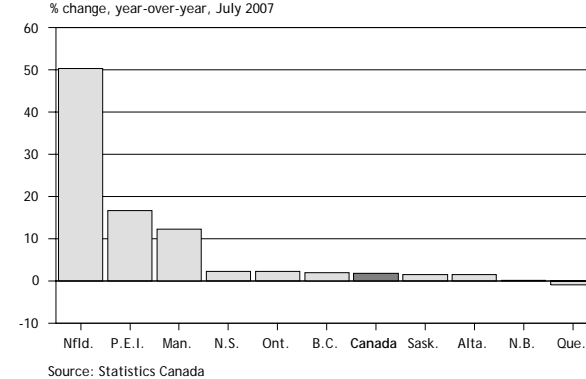
Existing home sales



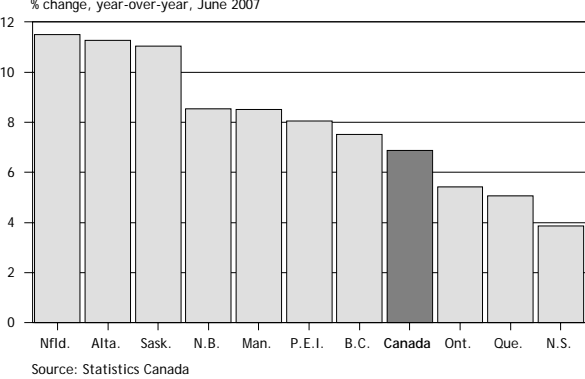
Housing starts (urban)



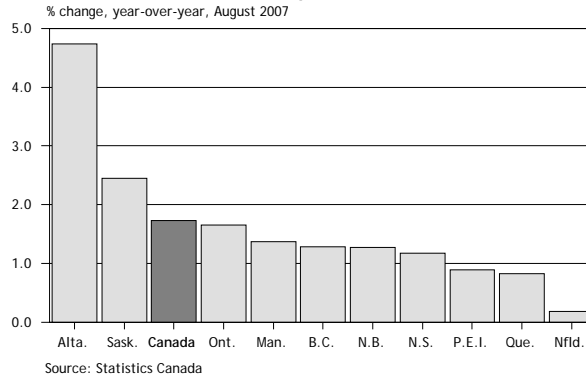
Manufacturing shipments



Retail sales



Consumer price index



Wholesale trade

